



A Robinson+Cole Legal Update

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Federal Court Suggests Title IX Applies to Private Schools Receiving PPP Loans

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Last month, a federal court in North Carolina held in *Karanik et al. v. Cape Fear Academy, Inc.*, No. 7:21-CV-169D (E.D.N.C. June 17, 2022), that a private secondary school's receipt of a Paycheck Protection Program (PPP) loan pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act was considered acceptance of federal financial assistance. As a result, the court held that the school was subject to the obligations set forth in Title IX for the life of the loan.

As we noted in our [legal update about Independent Schools and PPP Loans](#), the Small Business Administration (SBA) previously confirmed that recipients of PPP loans were considered recipients of federal financial assistance, thus imposing obligations under numerous federal laws and regulations.

We now know from this recent federal court decision, which is consistent with the SBA's guidance, that courts may find that private and independent schools that received PPP loans will be required to comply with Title IX and other federal civil rights laws for the life of the loan. However, the decision also suggests that once PPP loans are paid or forgiven, independent schools may no longer be obligated to comply.

While private and independent schools already have non-discrimination policies and procedures, those practices do not necessarily satisfy the specific requirements of Title IX and the law's prescriptive regulations made effective in 2020. The consequences of noncompliance can lead to the suspension or refusal of financial assistance or acceleration of the maturity of the loan. Additionally, individuals who believe they have been discriminated against on the basis of sex, including with respect to a school's response to sexual misconduct allegations, could rely on Title IX to bring a lawsuit against the school.

We recommend that schools seek legal guidance on whether their receipt of CARES Act funding, including PPP loans, has triggered obligations to comply with Title IX and other civil rights laws. We continue to follow these developments closely. Robinson+Cole is well-versed in Title IX issues and is assisting independent schools that have received PPP loans to determine obligations under Title IX and to update anti-discrimination policies to ensure compliance.

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FOR MORE INFORMATION

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